



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 1, 2003

S. 589

Homeland Security Federal Workforce Act

*As ordered reported by the Senate Committee on Governmental Affairs
on June 17, 2003*

SUMMARY

S. 589 would authorize new programs to recruit and retain federal employees who have skills important to national security. Agencies participating in the new programs would include the Departments of Defense, Homeland Security, State, Energy, Treasury, and Justice, as well as the National Security Administration (NSA) and the Central Intelligence Agency (CIA). The bill would create a pilot program to repay student loans for federal employees involved in national security, a national security fellowship program, and a National Security Service Corps.

CBO estimates that implementing S. 589 would cost about \$600 million over the 2004-2008 period, assuming appropriation of the necessary amounts. Enacting S. 589 would not affect direct spending or revenues. The bill contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 589 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2004	2005	2006	2007	2008
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Proposed Changes:					
National Security Fellowship Program					
Authorization Level	100	102	104	106	108
Estimated Outlays	10	102	104	106	108
National Security Student Loan Repayment					
Estimated Authorization Level	20	63	66	18	8
Estimated Outlays	19	61	66	20	9
Total Changes					
Estimated Authorization Level	120	165	170	124	116
Estimated Outlays	29	163	170	126	117

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2003, that the necessary amounts will be provided each year, and that spending will follow historical patterns for similar programs.

National Security Fellowship Program. The bill would authorize the appropriation of \$100 million in fiscal year 2004 and such sums as may be necessary for each subsequent year for the Office of Personnel Management (OPM) to establish and implement a National Security Fellowship program. This program would provide graduate study fellowship awards (for up to three years) to graduate students who agree to subsequent employment with the federal government in national security positions. Up to 20 percent of the fellowships would be set aside for current federal employees working in national security positions. All recipients of the fellowships would be required to be employed in national security positions for at least three years following their education. The legislation would also establish a National Security Service Board made up of 13 members of the national security agencies to select and place all eligible fellows. CBO estimates that implementing those programs over the 2004-2008 period would cost \$430 million, assuming that the amount authorized to be appropriated for the first year of the program would be increased to account for anticipated inflation.

National Security Student Loan Repayment. Section 101 would authorize appropriations for OPM to establish a pilot program that would repay student loans for current and future national security employees. The pilot program would be available to help agencies retain and recruit federal employees working in areas of critical importance. The eight-year program would allow agencies to offer eligible employees up to \$10,000 annually (\$80,000 per person) to repay federal student loans. Assuming appropriation of the necessary amounts, CBO estimates that implementing this provision would cost around \$20 million in 2004 and \$175 million over the 2004-2008 period. That estimate excludes costs for the CIA and NSA because the number of potential beneficiaries of this program working for those agencies is classified.

Loan Repayment Benefit for Current Employees. Currently, there are 191,000 professional, white collar positions within the Departments of Defense, Justice, Energy, State, and Treasury. (That figure excludes positions at NSA and CIA because their personnel data are classified.) CBO expects that only a few job classifications would be deemed critical to national security—such as nuclear engineering, physics, chemistry, and foreign affairs. OPM does not currently track employment in the federal government based on any definition or classification of "national security." The cost of implementing this legislation would depend on OPM's interpretation of how many "national security" positions exist in the federal government.

For this estimate, CBO assumes that relatively few job classifications would be determined by OPM to be national security positions—resulting in about 20,000 possible participants. We expect that the program would mainly be used by younger workers with outstanding student loans, and we used information on the age of federal employees to estimate that the fund would be used by about 6,000 employees to pay off the average amount of outstanding student loan balance—\$25,000—at a total cost of \$150 million over the 2004-2008 period.

Loan Repayment Benefit for Future Employees. The new program could also be used to recruit and retain new hires for national security positions beginning in 2005. CBO assumes that the positions determined to be national security positions would have a lower-than-average-turnover rate, resulting in an average of 300 new employees a year who would be eligible for the student loan repayment benefit. We expect that agencies would use the new authority to actively recruit new "national security" employees and that the fund would make student loan repayments at the \$10,000 maximum until the student loans of new hires are paid off over two to three years on average. Assuming appropriation of the necessary amounts, CBO estimates that the loan repayment benefit for future employees would cost about \$25 million over the 2004-2008 period.

National Security Service Corps. Section 301 would authorize the appropriation of funds for OPM to establish a National Security Service Corps. Under the direction of the National

Security Board, the National Security Corps would allow mid-level federal employees in national security positions to take up to two-year employment rotations within most other national security agencies. CBO estimates that implementing this provision would cost less than \$500,000 for OPM and the National Security Board to issue regulations and implement the program.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 589 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments

ESTIMATE PREPARED BY:

Federal Costs: Matthew Pickford

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Paul R. Cullinan

Chief for Human Resources Cost Estimates Unit

Budget Analysis Division